

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
March 15, 2013
Information Items



COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Corporate Marketing/Outreach

1. Background/Present Situation

- a) Communications will debut the new electronic *What's Developing* corporate newsletter in March 2013. This new format for the newsletter will allow for increased distribution at a lower cost. The newsletter will focus on showcasing four (4) affordable housing success stories from throughout the state, with at least one story featuring Florida HHF, special needs housing (i.e., Veterans, youth aging out of foster care, elderly, etc.), and/or green building, just to name a few. The goal is to be able to use the newsletter as a way to put the "human" face on the work that Florida Housing does to fulfill its mission.
- b) There also will be regular sections to the newsletter, including program updates (single family/multifamily), legislative updates, housing policy, foreclosure prevention, and groundbreakings/ribbon-cuttings.
- c) Communications staff has also finalized an education/awareness plan for developers pertaining to Florida Housing's programs. This plan is a comprehensive builder assistance approach (CBAA) to help educate developers on the key aspects of affordable rental and homeownership development programs available through Florida Housing.

B. Hardest-Hit Fund (HHF)

1. Background/Present Situation

- a) Since the implementation of the statewide launch, Florida Housing has received press on the program in the following media outlets (including newspapers, television stations and websites):
 - (1) ABC 13 (WMBB.com)
 - (2) Bay News 9 Tampa
 - (3) Boston Today Newspaper
 - (4) Bradenton Herald Newspaper
 - (5) CBS 4 in Miami
 - (6) Clay Today Newspaper
 - (7) CitrusDaily.com Online
 - (8) Daytona News-Journal Newspaper
 - (9) First Coast News.com Online
 - (10) Florida Courier

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- (11) Florida Current
- (12) Florida.newszap.com
- (13) Florida Times Union Newspaper
- (14) Florida Today Newspaper
- (15) Florida Trend
- (16) Fox News
- (17) Free-Press-Release.com
- (18) Herald Tribune Newspaper
- (19) Highlandstoday.com Online
- (20) Hispanic Business
- (21) Housingwire.com Online
- (22) Huffington Post
- (23) Miami Herald Newspaper
- (24) Mortgageorb.com Online
- (25) News Channel 5 (online)
- (26) News-Press Newspaper in Fort Myers
- (27) News 13 Online
- (28) New York Times
- (29) NorthEscambia.com Online
- (30) Ocala.com Online
- (31) Ocala Star Banner Newspaper
- (32) Orlando Sentinel
- (33) Pensacola News Journal Newspaper
- (34) RealEstateRama.com Online
- (35) Stateline.org Online
- (36) St. Augustine Record Newspaper
- (37) St. Pete Times Newspaper

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- (38) Sun-Sentinel Newspaper
 - (39) Tampa Bay Times Online
 - (40) TCPalm.com Online
 - (41) Tomrollins.com Online
 - (42) Treasury Notes
 - (43) Watchdog
 - (44) WBBH Channel 2 Charlotte County
 - (45) WCTV – Action 9
 - (46) WDEF News Channel 12 online wdef.com
 - (47) WEAR Channel 3 Pensacola
 - (48) WESH 2 News Orlando
 - (49) WFTV News Orlando
 - (50) WJXT Channel 9 Jacksonville
 - (51) WLRN Miami Herald News
 - (52) WOFL Channel 35 Lake Mary
 - (53) WPTV Channel 5 West Palm Beach
 - (54) WTVT Channel 13 Fox Tampa
 - (55) WUFT 89 FM Radio Gainesville
 - (56) WZVN ABC Channel 7 Fort Myers
- b) Communications staff continues to partner with American Airlines to have a presence through HHF Advisor Agencies at the Resource Fair for American Airlines for laid-off employees and auxiliary companies. Communications staff is closely monitoring progress as the second phase of the event began in February.
- c) The upcoming Making Homes Affordable event this February will be held in Miami and Communications Staff will be in attendance to perform the intake process as well as support four HHF Advisor Agencies that will be there. Staff has been coordinating with Treasury as well as HHF Program staff and HHF Advisor Agencies to plan for the event.
- d) Advertising and marketing plans are on standby as we await the decision for future programs under the HHF umbrella.

FISCAL
Information

II. FISCAL

A. Operating Budget Analysis for December 31, 2012

1. Background/Present Situation

- a) The Financial Analysis for December 31, 2012, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending December 31, 2012, is attached as [Exhibit B](#).

B. Operating Budget Analysis for January 31, 2013

1. Background/Present Situation

- a) The Financial Analysis for January, 2013, is attached as [Exhibit C](#).
- b) The Operating Budget for the period ending January 31, 2013, is attached as [Exhibit D](#).

GUARANTEE PROGRAMS

Information

III. GUARANTEE PROGRAMS

A. Status of the Guarantee Program Portfolio

1. Background/Present Situation

- a) Since the implementation of the Guarantee Program in 1993, it has guaranteed 120 transactions, facilitating the construction of over 28,000 housing units in Florida. In November 1994, the Guarantee Program entered into an agreement with HUD to participate in the Risk-Sharing Program; characterized by a 50/50 sharing of default risk in connection with the mortgage guarantee. Of the 70 multifamily developments in the Guarantee Program portfolio today, 50 are Risk-Sharing transactions.
- b) Since November 2008, there have been eight (8) multifamily claims filed on the Guarantee Program, representing the total (and only) multifamily claims incurred in its 18-year history. The last multifamily claim occurred in April 2010. The chart in Exhibit B reflects the developments that have been foreclosed as of January 31, 2013, listed in chronological order by claim filed date.
- c) There are no foreclosures in inventory.
- d) As of January 31, 2013, there was one (1) development in the portfolio in monetary default (due to the borrower's failure to make timely payments on the note):

<u>Development</u>	<u>Location</u>	<u>Closing Date</u>	<u>Total units</u>	<u>Mtg. bal.</u>	<u>Risk-share</u>	<u>Gen Ptr</u>	<u>Ltd Ptr</u>	<u>Status</u>
Colony Park	West Palm Beach	8/24/2001	130	\$9,004,747	No	Wentwood Capital	Wentwood Capital	Past due: 12/15/12 & 1/15/13

- e) Colony Park (Palm Beach HFA 2001 Series A/B) was originally developed by Housing Trust Group (Randy Rieger), who, in April 2007, transferred the general partner interest to Shelter Corporation (Shelter). Furthermore, the original limited partner, Capmark, filed bankruptcy in 2009 and their interest was subsequently acquired by Wentwood Capital (Wentwood). In May 2010, Wentwood removed Shelter as general partner and assumed control.

GUARANTEE PROGRAMS

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B. Capitalizing Debt and Risk Exposure

1. Background/Present Situation

- a) The global liquidity crisis of 2008 collapsed the market for the variable rate bonds capitalizing the Guarantee Program corpus, ultimately leading staff to restructure the debt, paying off approximately \$89 million and refinancing the remaining \$156.2 million in variable rate bonds to a 5-year term loan with Citibank, closing on December 31, 2009.
- b) At that time, the Guarantee Program's total risk exposure, single-family and multifamily combined, was \$754.5 million. Since then, total risk exposure (Exhibit C, chart "Guarantee Fund Capacity", line item "Total Commitments") has consistently decreased, as reflected below:

12/31/2009	12/31/2010	12/31/2011	Last Board Meeting (as of 12/31/2012)	This Board Meeting (as of 1/31/2013)
\$754,475,974	\$728,323,576	\$578,754,817	\$468,471,463	\$446,763,941

- c) Management has since aggressively reduced the Guarantee Program capitalizing debt, paying off \$90.2 million on April 20, 2011 and another \$15 million on July 29, 2011, leaving \$51.0 million outstanding. On December 21, 2012, the remaining balance of \$51.0 million was paid in full, reducing the Guarantee Fund's capitalizing debt to zero (\$0).

C. Corpus Investments

1. Background/Present Situation

The Guarantee Fund corpus contains approximately \$165 million in invested capital, all of which is currently invested in the Florida Treasury, Special Purpose Investment Account (SPIA), rated "A+F" by Standard & Poor's as of August 31, 2012.

D. FHFC Actions to Effectively Manage the Guarantee Program ([Exhibit A](#))

E. Guarantee Program Foreclosure Summary ([Exhibit B](#))

F. Guarantee Program Portfolio Summary and Guarantee Fund Capacity ([Exhibit C](#))

MULTIFAMILY BONDS

Information

IV. MULTIFAMILY BONDS

A. Changes to Construction Features and Amenities and/or Resident Programs

1. Background/Present Situation

- a) The following developments have requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in their Application since the last Board meeting:
 - (1) Pinnacle Grove (2003 Series A/2002-705H/2001-535C) has requested replacing the “gated community with “carded” entry or security guard, or if mid or high-rise, “carded” secure entry to building” (4 points) with the “30 Year Expected Life Roofing on all buildings” (5 points). Scoring of the Application will remain unaffected.
 - (2) Villa Capri I (2009 Series U-1 and U-2/RFP 2009006-05/2011-504C) has requested replacing the “double compartment kitchen sink in all units” (1 point) with “ceramic tile bathroom floors in all units” (2 points). Scoring of the Application will remain unaffected.
- b) Staff will amend the Land Use Restriction Agreement for the development as appropriate.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Information

V. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

A. Changes to Construction Features and Amenities and/or Resident Programs

1. Background/Present Situation

- a) The development listed below has requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in its Application since the last Board meeting:

Kyle's Run (95S-044) has removed "afterschool "latchkey" and summer programs for tenants and their children" from Article II, Section 2.3 of the LURA: As this is not a requirement of the Application, there is no point value attributed to this language. Scoring of the Application will remain unaffected.

- b) Staff will amend the Land Use Restriction Agreement for the development as appropriate.

B. Update on Temporary Farmworker Relief Waivers

1. Background/Present Situation

- a) On December 9, 2011, the Board approved a request to temporarily waive the Farmworker demographic set-aside for Sanders Pines (1989-038S/1999-038C) and Timber Ridge (94S-003/94L-038) for a minimum of two years. The amended LURAs evidencing the temporary waivers were executed on March 28, 2012.
- b) On February 25, 2013, staff received a status report on the 2012 occupancy levels and financial status for both developments ([Exhibit A](#)).

SINGLE FAMILY BONDS

Information

VI. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

1. Background/Present Situation

- a) Florida Housing continues to honor our commitment to have funds continuously available for qualifying homebuyers through our First Time Homebuyer (FTHB) Program. Florida Housing's Program provides assistance to eligible homebuyers by offering low cost, 30-year, fixed-rate mortgages together with down payment and closing cost assistance. Current allowable mortgage loan products include: Federal Housing Administration (FHA), Department of Veterans Affairs (VA), United States Department of Agriculture - Rural Development (USDA-RD), as well as conventional loan products offered through Fannie Mae and Freddie Mac.
- b) Over the last 2-3 years we have seen higher credit standards imposed on homebuyers by the Agencies (FHA, Fannie, Mae, and Freddie Mac), our Master Servicer U.S. Bank, and our participating lenders. We try to balance the needs of our First Time Homebuyers with sensible credit requirements. Our Program currently requires borrowers to have a minimum 640 FICO score and complete a 6-8 hour face-to-face homebuyer education class in order to qualify for assistance. We do not allow the use of co-signors because we have found in the past that their use can be abusive, allowing borrowers to purchase more home than they can afford. We require a minimum cash contribution to the loan of \$1000 from the borrower's own funds. These funds can be a gift as allowed by FHA. Additionally we limit a borrower's maximum debt ratio to 45%. As expected, these changes implemented in 2012 have impacted Program loan origination volume. Our loan production for 2012 totaled 2187 loans purchased with a first mortgage volume of \$213.7 million down from 2011 when we produced 3449 loans totaling \$333.4 million.
- c) Florida Housing offers qualified homebuyers two down payment and closing cost assistance (DPA) programs in the form of second mortgage loans. Florida Assist is a 0% deferred payment \$7,500 second mortgage that serves homebuyers with an area median income (AMI) of up to 120%, adjusted for family size. Homeowner Assistance for Moderate Incomes (HAMI) serves higher income households up to Program first mortgage income limits. This product provides a qualified buyer with up to \$5,000 of assistance in the form of a 10-year, amortizing second mortgage, currently at a 5% fixed rate. These second mortgage products may only be used in conjunction with Florida Housing's first mortgage products. Due to recent guidance provided to state HFAs by HUD and FHA, we are now required to wire DPA funds directly to the closing agent. We have put in place a process to accomplish this task. HUD continues to review our previous funding model where our participating lender would table fund both first and second mortgage loans and be reimbursed at loan purchase. We are hopeful that HUD will eventually allow us to return to this former streamlined funding model.

SINGLE FAMILY BONDS

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- d) Since 2003, Single Family Program Staff has taught a three hour, Department of Business and Professional Regulation (DBPR) approved continuing education (“CE”) course for Realtors which is coordinated through local Realtor boards throughout the state. We have received our recertification of the class from DBPR, which is required every three years. Realtors who attend these classes receive a general 3 hour CE credit while learning about our First Time Homebuyer Program, our Mortgage Credit Certificate Program, and other affordable housing programs available to their potential homebuyers. We recently held a class in Santa Rosa County for the Navarre Area Board of Realtors and have a class scheduled for February 28th for the Orlando Regional Realtors Association. With a staff of only four people, we market to large groups such as Realtors and Lenders statewide to help others learn about the resources available through our programs.
- e) Florida Housing continues to sponsor a toll-free telephone line (800-814-HOME), for first time homebuyers to call for information about our program. For the month of January, we received 458 total calls of which 208 were transferred to the Single Family Staff. The remaining callers that were not transferred to the Single Family Staff were able to receive information by accessing our First Time Homebuyer Wizard tool, which is located on our website. We continue to closely monitor these calls to evaluate the best way to efficiently handle the call volume in the long term.
- f) Our Mortgage Credit Certificate Program has begun to generate greater lender interest and participation due in part to specialized in-person training classes being conducted by Program staff. We have held classes for PrimeLending, Watson Mortgage, and most recently Bank of America. We expect MCC volume to increase substantially as a result of these trainings. Currently we have 23 approved lenders who have each paid a \$750 participation fee to Florida Housing. We are still soliciting our existing group of approved FTHB lenders to participate in this affordable housing program while also recruiting smaller lenders who might not otherwise qualify for FTHB Program participation. We have issued 14 MCCs to qualified first time homebuyers and have an additional 10 reservations in the pipeline. As we anticipated, the borrowers utilizing the MCC Program are purchasing higher cost homes (\$154,837 vs. \$106,759) and have a higher average household income (\$52,380 vs. \$44,110) than our FTHB borrowers in our current Series B-5 bond issue. We charge a \$500 issuance fee for each MCC. This can be paid for by the buyer, seller, or any party that chooses to pay the fee.

B. Single Family Bonds Information ([Exhibit A](#))

SUBORDINATED MORTGAGE INITIATIVE (SMI)

Information

VII. SUBORDINATED MORTGAGE INITIATIVE (SMI)

A. Program Update

1. Background/Present Situation

- a) As of this date, the Board has approved funding for a total of thirty-two (32) Subordinated Mortgage Initiative (SMI) loans. The purpose of these loans is to provide subordinate financing on these developments which are credit enhanced by the Guarantee Program, and determined to be in financial distress, in order to provide temporary assistance in funding their mortgage debt service obligations for a period of up to twenty-four (24) months. Florida Housing provided funding for up to one mortgage payment per each three month period. The developer is required to make the remaining payments. This process is to be repeated for up to twenty-four (24) months, with Florida Housing potentially making up to a total of eight mortgage payments and the developer making a total of sixteen mortgage payments during this period.
- b) Attached as [Exhibit A](#) is a spreadsheet of the status of the SMI loans approved to date. Highlights of the data are as follows:
 - (1) The Board has approved a total of thirty-two (32) SMI loans in the amount of \$19,120,000.
 - (2) Thirty (30) of these SMI loans have been closed to date in the principal amount of \$17,834,309.01, of which \$17,348,592.30 has been disbursed as of February 15, 2013.
 - (3) One SMI loan, Woods of Vero, received SAIL/ELI funding prior to the final disbursement under the SMI loan. The SAIL/ELI loan reduced the first mortgage balance; as a result the three remaining SMI disbursements for Woods of Vero were reduced accordingly, reducing its SMI loan by \$14,116.97, effectively reducing the amount closed to date to \$17,820,192.04.
 - (4) Two (2) loans, representing two different developers, approved in the total amount of \$675,000, have yet to be closed.
 - (5) It does not appear, at this time, that these two loans will be closed due to an inability to obtain the required consent of the investment limited partner.
 - (6) As of February 15, 2013, the final disbursement has been made on twenty-seven (27) of the thirty (30) loans closed to date. All accrued interest will be due on these loans twenty four months after the final disbursement. The loan will then be amortized based on a twenty year amortization with a balloon payment due at the end of year six.

SUBORDINATED MORTGAGE INITIATIVE (SMI)

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- (7) As of February 15, 2013, six (6) loans have been paid in full totaling \$3,145,311.17.
- (8) Since the inception of the Subordinated Mortgage Initiative only two developers, Shelter Corporation, involving two SMI loans, Venetian Isles I and Venetian Isles II, and Creative Choice, involving Tuscan Isle f/k/a Heron Cove, have failed to make a required payment under their obligations as outlined in the SMI loan. The required payments were ultimately made on these developments and are current.